

## II

### THE PROCESS OF POLICY REFORM: DEVELOPING THE STRATEGY

The federal government, like all organizations, is better at fixing simple problems than complex ones. There is little incentive to develop a comprehensive approach to broad socioeconomic issues such as water resources development: the easier approach is to defuse controversial issues one by one within the existing institutional framework. The framework itself, including processes, legislative prerogatives, and bureaucratic "turfs," stay in place, especially if protected by powerful special-interest groups or congressional committees. The result is inconsistency across agencies and generations, and change with each new administration.

The environmental movement of the 1970s, like the Great Depression of the 1930s, afforded an unusual opportunity for change. "For 200 years we have been running out and putting a Band-Aid on water problems," said B. Joseph Tofani, President of the Water Resources Congress. "We need to study and reflect and determine what kind of program we should have."<sup>1</sup> It was an interesting comment from a representative of an organization that had long benefited from legislative largess, and it reflected general frustration with the inability to get new water projects authorized. The question was how to weed out inefficient, marginal projects and expedite the construction of necessary ones.

President Carter chose one route, using executive orders and presidential prestige. In the end, he failed. Ronald Reagan chose the budgetary route and ultimately triumphed.

### The "Hit List"

Jimmy Carter was a sportsman and businessman, and he liked to canoe. While Governor of Georgia, he successfully negotiated the extremely perilous Bull Sluice Rapids on the Chattooga River. However, he was not an avowed environmentalist until the Corps of Engineers turned him into one. The catalyst for this metamorphosis was a \$133 million structure the Corps proposed for the Flint River in Georgia: Spewrell Bluff Dam.

Carter was at first enthusiastic about the dam. His education as an engineer (at the U.S. Naval Academy) and membership in the Middle Flint River Planning and Development Council gave him all the necessary credentials of a pro-growth advocate. However, some of his friends in the environmental community urged him to take a closer look at the Spewrell Bluff project, and Carter did just that. He closeted himself in a room and pored over the Corps' engineering designs and environmental impact statement for the dam. What he found enraged him. In an 18-page letter to the Corps, he concluded that the agency was guilty of both "computational manipulation" and environmental insensitivity. Carter was convinced that the Corps practiced deliberate deception. Exercising his gubernatorial authority, he killed the dam proposal.

More important in the long run, he developed a deep-rooted suspicion of the Corps' integrity, if not its competence.\* "It became obvious to me," he later wrote, "that none of the [Corps'] claims was true. The report was primarily promotional literature supporting construction."<sup>3</sup> Campaigning for President, he said, "We ought to get the Army Corps of Engineers out of the dam-building business."<sup>4</sup> One of his campaign papers maintained that the "federal government's dam building era is coming to an end. Most beneficial projects have been built."<sup>5</sup> Soon after he was elected President, Carter showed how serious he was.

In early January 1977, Carter's transition team listed 61 Corps of Engineers and Bureau of Reclamation water projects that it wanted to review.<sup>6</sup> The following month, Carter informed Congress of a plan to delete \$239 million for 19 projects from the public works appropriations bill because of the projects' environmental, economic, or safety problems. Included in the list were the Bureau of Reclamation's Central Arizona Project and the Corps' Dickey-Lincoln Dam in Maine and Richard Russell Dam in Georgia and South Carolina.<sup>7</sup> Carter ordered the Departments of Army and Interior to thoroughly review all nineteen projects. The congressional outcry at the President's proposal was enormous, but Carter persisted. Using the then-existing discount rate of 6-3/8 percent, rather than the lower rates prevailing at the time various projects were authorized, the White House staff identified more projects that would fail the economic test. Consequently, Carter added 14 projects to the so-called "hit list" in March, including

the Tennessee-Tombigbee and Red River waterways, both Corps projects. But, for the first time deferring to congressional muscle, he deleted three that had been considered vulnerable. Many of the more powerful congressmen remained outraged, including Senate Majority Leader Robert Byrd of West Virginia, Representatives Jim Wright of Texas and Morris Udall of Arizona, Senators J. Bennett Johnston and Russell B. Long of Louisiana, and John Stennis of Mississippi.

After further review and consultation, Carter announced his final decision on 18 April. He recommended that 18 projects be deleted, at a total savings of over \$2.5 billion. These projects included Lukfata Dam in Oklahoma; Auburn Dam in California; Bayous Boeuf, Black, and Chene in Louisiana; three projects in Colorado; the Garrison Diversion in the Dakotas; Cache River basin in Arkansas; Oregon's Applegate Dam, and the Richard B. Russell project. Carter considered all these projects marginally beneficial at best and insisted they could not be constructed at a time when the federal budget was growing and needed to be balanced. However, bowing to intense pressure, he left untouched both the Tennessee-Tombigbee and Red River waterways. Carter also recommended major modifications of five projects that would save almost \$1.5 billion: the Mississippi River Gulf Outlet, Tensas basin in Arkansas and Louisiana, the Central Utah Project, the Central Arizona Project, and the Garrison Diversion. The President pointed to the need for increased cost sharing on the part of nonfederal interests, for water conservation, and for more

realistic economic and environmental evaluations.<sup>8</sup> But the congressional reaction was vociferous, especially from Carter's own Democratic party. Representative Wright said that Carter threatened to become "a laughingstock" and Texas Congressman Ray Roberts, chairman of the House Public Works Committee, decided that Carter was captured by "environmental extremists and budget hackers."<sup>9</sup>

While the Public Works Subcommittee of the Senate Appropriations Committee was willing to compromise with Carter, proposing that 9 of the 18 targeted projects not be funded, the House Appropriations Committee firmly opposed concessions. It abandoned only one project--Grove Lake in Kansas--that did not have much local support anyway. All the other projects were funded, and the committee even added a dozen projects that had not been included in the administration's budget. The committee's action was upheld in the full House by the relatively narrow margin of 218 to 194, suggesting that the representatives would sustain a presidential veto even if, as appeared probable, the Senate mustered the two-thirds vote necessary to override the President." The Carter White House worked the House furiously, trying to ensure enough votes to support the President. In the end, though, Speaker Thomas P. (Tip) O'Neill cut a deal of sorts with Carter. In exchange for Congress's reducing the funding for the Clinch River Breeder Reactor (another public works project that Carter opposed), maintaining the deletions proposed in the Senate bill, and not approving any new projects, Carter agreed to sign the

public works legislation.<sup>11</sup> He was later to regret the decision. It was "certainly not the worst mistake I ever made, but it was accurately interpreted as a sign of weakness on my part. . . ."12

By the end of October 1977, the President had accomplished the unlikely. He had alienated both Congress with his attacks on pet projects and environmentalists with his last-minute decision to sign the legislation. No one quite knew what to expect next.

### The User Charge Issue

If Carter seemed like the bull in the legislative china shop, his tactics dramatically conveyed an important message: water projects were not sacrosanct and water politics would not continue as usual. However, the message was not exclusively Democratic, nor was the White House the only place sending it. Senator Peter Domenici, the junior Republican from New Mexico, also desired major changes. He focused on the issue of "user fees" for inland navigation. Domenici was convinced that barge, tow, and other commercial navigation interests should pay toward the maintenance and operation of America's inland waterway system. Since the early 19th century, the federal government had assumed the burden for removing navigation obstacles on the riverine "public highways" of the interior. However, especially given the extraordinary demands on the federal budget, Domenici thought it sensible that the barge industry, not the taxpayer, pay for waterway improvements.<sup>13</sup> On 24 February 1977, only a few days after Carter exploded his bomb on

water projects, Domenici submitted a bill that drew far less immediate attention, but was to have as great an impact as Carter's initiative. Into the hopper on the marble desk at the front of the Senate chamber, Domenici dumped a waterway user-fee bill.<sup>14</sup>

Domenici realized passage depended on support from at least some senators who traditionally supported navigation interests. To get this, he settled on an ingenious strategy. He wrapped into his legislation a measure that authorized a replacement for Lock and Dam 26 on the Mississippi River. The old lock and dam had become a major bottleneck on the Mississippi River system, and its replacement had become the number one priority for the barge and tow industry. Domenici's ploy worked amazingly well at first.<sup>15</sup> The Senate passed the bill on 23 June 1977 by the overwhelming vote of 81 to 9. However, the House refused to consider the measure, claiming its constitutional prerogative of initiating revenue-producing legislation. Consequently, the entire process had to begin anew, this time with the House Ways and Means Committee considering the user charge, and the Public Works Committee addressing the Lock and Dam 26 project.

The bill passed by the Senate had directed the Secretary of Transportation to develop a user fee system to recapture 100 percent of the government's waterway O&M expenses and 50 percent of the construction costs. This would amount to about \$200 million a year and would be obtained through tolls and license fees.<sup>16</sup> This capital recovery system explicitly linked the government's expenses to the amount of user fee charges. However, the House's user-fee

system was far more limited. It involved a flat tax, and the only issue was what the rate should be. The two House committees agreed to a four cents per gallon fuel tax. The barge industry's "compromise" was one cent per gallon. A railroad lobbyist suggested 64 cents per gallon, while Brock Adams, the Secretary of Transportation, insisted that the flat-rate tax should take in as much money as would have been the case under the Senate's capital recovery system. He thought this would amount to about 40 cents per gallon.<sup>17</sup> Such a rate was politically unrealistic, and few words were wasted on the proposal in committee hearings. The Ways and Means Committee bent only slightly. The final bill required a four-cents-per-gallon rate for the first two years and six cents per gallon thereafter. On 13 October, the bill, with the Lock and Dam 26 project included, passed the House by a vote of 331-70.<sup>18</sup>

Major philosophical and strategic differences separated House and Senate conferees. Senator Domenici would have nothing to do with a six-cents-per-gallon tax, calling it "totally inadequate." Senator Russell Long, chairman of the Senate Finance Committee, was optimistic at the outset, thinking that a good compromise would result in ten cents per gallon. Navigation interests, who were as worried about the precedent established as about the tax proposed, mobilized to fight any user-tax legislation.<sup>19</sup> Week after weary week, the conference met, but the members would not waver. The first session of the 95th Congress closed with the issue unresolved.

Debate on the Panama Canal, in spring 1978, further delayed



progress on the user-charge problem. By then, the bill included various unwanted amendments that dealt with all sorts of unrelated water projects. The administration also sent out conflicting signals. Brock Adams wanted Carter to veto any legislation that contained only flat-rate user charges. However, Frank Moore, the chief presidential lobbyist, recommended that Carter go along with the weaker version in order to buy credit with Senator Long, whose powerful hand touched numerous bills of concern to the administration. In the end, Carter allowed a message to be sent to the Hill that threatened the "possibility of veto." Not as strong as Adams wished, the note still did much to gird opposition to the flat-rate concept.<sup>20</sup>

Senator Domenici again took the lead when the user-fee issue appeared to be going nowhere. This time allied with Senator Adlai Stevenson III of Illinois, whose principal interest was in the construction of a new Lock and Dam 26, Domenici introduced legislation that incorporated parts of both bills that had been considered in conference. The new legislation would impose a fuel tax at 4 cents per gallon and gradually increase it to 12 cents. It also proposed a separate fee system that would recover a certain portion of the federal government's annual waterway expenditures. Of course, the bill also authorized the construction of a new lock and dam. The new version reached the Senate floor in May 1978.<sup>21</sup> Concurrently, Senator Long introduced his own bill, which stipulated the same fuel tax levels as the Domenici-Stevenson draft, but had no capital recovery provision.

Despite intensive lobbying by the Carter White House, including presidential calls from Air Force One, the Domenici-Stevenson bill lost, 43-47. On the next vote, Long's passed overwhelmingly by 88-2. While the Senate thereby had supported the concept of user charges, it had refused to embrace capital recovery, and without it there was a good chance that Carter would veto the legislation. The senators obviously thought that he would back down. They were wrong. The President quickly announced his intention: "There will be no Lock and Dam 26. There will be no waterway user fee."<sup>22</sup>

In the next few months, the chief question was how to cope with the capital recovery problem. Eventually, Harold (Hal) Brayman, who worked for Senator Domenici on the Senate Environment and Public Works Committee, and Bernard (Bobby) Shapiro of the Joint Committee on Taxation (and Russell Long's chief negotiator) reached an accord on a new approach, the establishment of an "Inland Waterways Trust Fund." Brayman acceded to a ten-cents-per-gallon flat tax, while Shapiro agreed that the money would go into the trust fund and be used to help offset federal operation and maintenance expenditures. This innovative approach met considerable resistance from railroad groups and environmental organizations because it did not set an explicit limit on waterway expenditures. Nevertheless, Domenici agreed to it. Getting it to a vote became the major problem in the closing days of the congressional session. Russell Long solved that problem by attaching the legislation-- including the authorization for a new

Lock and Dam 26--to a bill that exempted from taxation the bingo game profits earned by political organizations. That bill had been introduced by Representative William Brodhead of Michigan to help out his state's Democratic party. Now with totally new amendments, the "bingo bill" was passed by the Senate on 10 October and by the House on 13 October. President Carter signed the bill on 21 October, establishing the first user fee on the nation's waterways.<sup>23</sup> Equally important, this legislation initiated a pattern of linking major policy reforms to project authorizations. It was a pattern that continued through passage of WRDA-86.

#### Conaressional Frustration and Presidential Failure

Carter signed the "bingo bill" just two weeks after he had vetoed a water appropriations bill, calling it "inflationary . . . wasteful . . . and absolutely unacceptable."<sup>24</sup> Coming just after passage of Proposition 13 in California, which some saw as the beginning of a nationwide taxpayer rebellion, and supported by post-Watergate, reform-minded congressmen, the veto held; Congress considered new legislation. The remodeled bill dropped 6 of the 9 projects that Carter opposed, cut 11 new projects, and dropped the appropriation for 2,300 new federal jobs for dam-construction agencies. Carter approved this measure, but another major fight loomed.<sup>25</sup>

That fight was over a separate authorization bill. In the final days of the congressional session, Senator Mike Gravel of

**Alaska attempted** to attach a 35-page amendment to a bill originally intended to name a Shreveport, Louisiana, federal building after congressman Joe Waggoner. The amendment would have authorized more than \$1 billion in new projects. Objections from several senators stopped Gravel, but another maneuver quickly ensued. The amendment was attached to a bill called the "Emergency Highway and Transportation Repair Act of 1978," which was mainly designed to provide federal aid to repair potholes. That language was taken out, and authorization for 158 water projects was inserted. Robert Byrd, the Senate Majority Leader, working with Senator J. Bennett Johnston of Louisiana, managed to get the bill to the Senate floor, where it was passed with only hours left in the session.

Representative Allen Ertel of Pennsylvania then hurried the legislation over to the House side, where confusion reigned. "This is the pothole bill, but they took out the potholes and put in the water projects," he explained.<sup>26</sup> Some of Ertel's colleagues did not get the message. Congressman Thomas Foley of Washington, who supported the water projects, thought that the pothole bill was actually what the title said it was. He objected to a vote because of a lack of a quorum despite last-minute efforts of committee staff to set him straight. Meanwhile, Pennsylvania Representative Robert Edgar of the House Public Works and Transportation Committee was sitting in his office unaware of the floor proceedings until he saw them on closed-circuit television. Committee staff had purposely not kept him informed because they knew that the reform-minded representative would attack the legislation for being

another raid on the pork barrel. He rushed to the House chamber to learn that, indeed, a \$1.6 billion water bill stuffed full of new projects was being considered. Edgar objected, but ironically it was Foley who was recognized, and whose objection laid the bill to rest. Later, the Congressional Record was rewritten to show that Edgar had been recognized, not Foley.<sup>27</sup>

For lack of a quorum, the pothole bill died. With it died chances of Congress passing a biennial water project authorization bill--the first time in 20 years that this had occurred.<sup>28</sup> Had the bill come up earlier in the day when a quorum was present, it undoubtedly would have passed. Of course, President Carter might have vetoed the bill, and it is uncertain whether Congress would have overridden the veto. Had the bill been passed and signed or, upon reconsideration, been passed over a veto, it certainly would have changed the direction and substance of subsequent water resources debates. The pressure to authorize projects would have lessened, and with it the pressure to develop new cost-sharing policies. Many of the projects in this bill were identical to the ones authorized in WRDA-86.<sup>29</sup>

President Carter was interested in more than changing Congress's traditional approach to water projects. He also wished to establish policies to ensure that projects were environmentally sensitive and that non-federal interests bore an appropriate share of the construction costs. In June 1978, he announced a new water policy that incorporated four aims:<sup>30</sup>

1. To improve planning and management "to prevent waste and to permit necessary water projects which are cost-effective, safe and environmentally sound to move forward expeditiously,"
2. To emphasize water conservation,
3. To "enhance Federal-State cooperation" and improve state water planning, and
4. To increase attention to environmental quality.

While the increased attention to environmental quality--including a requirement that a nonstructural alternative be developed for every proposed dam or channel--was controversial, the cost-sharing details drew particular criticism. The Carter White House wished to charge nonfederal interests ten percent of the construction costs associated with water-supply, irrigation, power, and recreation benefits and five percent of the construction costs for flood control, navigation, and "area redevelopment" projects.<sup>31</sup> In addition to these requirements, a further 20 percent nonfederal contribution was recommended for flood damage reduction measures.<sup>32</sup> Carter also wished to have the Water Resources Council review all water projects. This proposal helped motivate the House to vote for the abolition of the council. The Senate refused to go along, but it did vote to eliminate funding for the

council for fiscal year 1979.<sup>33</sup> In the end, after Carter had vetoed one appropriations bill, Congress agreed to fund the WRC for another year. However, the President had to abandon his attempt to have the council review all water projects. Representative Wright no doubt mirrored the feelings of many congressman when he said that if Carter "wants to pick a fight, here's the place to pick one."<sup>34</sup>

Carter's initiatives generated a great deal of discussion at all levels of government and among professional organizations. The American Society of Civil Engineers generally supported the President. Indeed, in certain areas the society even went further than Carter's proposals. For instance, it pushed for a strengthened Water Resources Council, to be made into an independent commission, and it endorsed the old idea of river basin planning commissions. The organization did express doubts about the cost-sharing provisions, believing them overly complex. Instead, it suggested full federal financing but with some sort of nonfederal repayment over succeeding years. An alternative plan, which would require substantial legislation, would be to have federal and nonfederal interests share in the costs and revenues in proportion to financial investment.<sup>35</sup> The National Governors' Association supported Carter's call for increased water conservation, but not surprisingly stressed that states "have the primary authority and responsibility for water management". Federal actions, the governors proclaimed, should be consistent with state and interstate water programs. At the same time, the

state leaders recommended additional federal research support under the 1964 Water Resources Research Act.<sup>36</sup> Lieutenant General John W. Morris, the Chief of Engineers, said that he frankly did not care if another dam was built: however, the Corps "is not in the business of doing nothing."<sup>37</sup>

Morris may not have cared, but a number of politicians did. In 1979, Senator Domenici worked with Senator Daniel Patrick Moynihan of New York on legislation that would authorize annual appropriations to states for water projects based on population and land area. States would be required to pay a quarter of each project's cost, regardless of the type, and could spend their allocation on whatever water projects they wished with the exception of navigation projects, which would be covered in separate legislation.<sup>38</sup> The Moynihan-Domenici bill reflected the frustration of the two senators with the impasse over water resources legislation, but its chances of passage were nil, for it transferred to the states prerogatives jealously guarded by Congress. Capitol Hill politicians predictably opposed any diminishment of their capability to allocate federal funds to specific regions of the country. The legislation did not reach the floor of either the House or Senate.

Senator Domenici's "bingo bill" had worked because he had been able to form an uneasy coalition among waterway users, environmentalists, and reform-minded budget-watchers. The Moynihan-Domenici initiative failed partly because its sponsors could not convince their colleagues to treat water projects in the



same way as highways or waste-water treatment plants; that is, through grant programs. President Carter was equally unsuccessful in making permanent changes in the federal water resources program. Major General Ernest Graves, the Corps' Director of Civil Works in the first two years of the Carter administration, thought that the President would have been more successful if he had ordered a study done during his first year in office to provide a firmer basis for recommendations to Congress. Meanwhile, he could have worked on developing a coalition of supporters.<sup>39</sup> Alternatively, Guy Martin, Carter's Assistant Secretary of the Interior, suggested in hindsight that Carter should have concentrated on 3 or 4 of the worst projects rather than taking on 20 or 30 at the same time: "In war, you don't take two dozen beachheads on the same day. You can't, for God's sake. But he could have won some big ones."<sup>40</sup>

Not only did Carter's project and policy recommendations meet with congressional resistance, but so did some of his reorganization proposals. One option that was seriously considered was the creation of a Department of Natural Resources that would have included the civil works budgeting, planning, and policy functions of the Corps of Engineers. This proposal--an echo of similar proposals made over previous decades--encountered strong objections from both Congress and the Department of the Army.<sup>41</sup> The initiative, as well as one to create a separate water project review board outside of the Water Resources Council, ended in failure. Likewise, Carter's cost-sharing proposals and

recommendations for changes in benefit-cost calculations also were defeated. While the President managed to stop several water projects, generally they were not among the most expensive or even environmentally damaging. There was simply less constituent or special-interest support of those projects, so Congress was willing to sacrifice them.<sup>42</sup> In the end, Carter's actions in his last two years undermined the positions he had advanced the first two; they also reflected a heavy dose of political realism. If the President were to accomplish anything, compromise was essential. Therefore, Carter signed an Energy and Water Development Appropriations Act (P.L. 96-69) in September 1979, which waived the Endangered Species Act and "any other law" that would have prevented construction of the Tennessee Valley Authority's Tellico Dam. He also approved record funding for the Bureau of Reclamation, while funding for the Corps climbed to over \$3 billion. In early 1980, he announced that he wanted 125 projects eliminated from the 1981 budget. But in October, responding to election-year realities., he signed an appropriations bill that included nearly all of those projects.<sup>43</sup>

#### Reagan and the Budget Trimmers

Ronald Reagan came into office in January 1981 with a program and perspective in marked contrast with Carter's. He stressed limited federal government. Whenever possible, except in the area of national defense, the nonfederal public and private sectors should assume more of the federal burden. This position was not

only philosophically appealing to the conservative administration, but appeared to answer the growing concern over mounting federal deficits. Its complement was "supply side" economics, which emphasized drastically reducing government intrusions into the marketplace and trimming taxes. Once in place, so the argument went, this new fiscal policy would increase output, savings, and investment.<sup>44</sup> As Garry Wills put it, "Inflation elected Ronald Reagan in 1980,"<sup>45</sup> and economic issues remained the new President's preoccupation.

With the new perspective came a new method of implementation. Carter had confronted Congress, compromised, cajoled, and occasionally capitulated. Working with his determined Director of the Office of Management and Budget, David Stockman, Reagan attempted to change policy as much through budget manipulation as through the legislative process. "Budget is policy" was the lesson, and Reagan's advisors were outstanding students.<sup>46</sup> James Watt, the new Secretary of Interior, candidly announced, "We will use the budget system [as] the excuse to make major policy decisions."<sup>47</sup>

Yet, as Stockman and company soon discovered, this was easier said than done. Reagan wanted actually to increase the defense budget, which already accounted for about a quarter of federal expenditures. Entitlement programs, such as Social Security, welfare, Medicare, and pension checks, accounted for nearly half of the budget and were nearly immune to significant change because of political concerns. Interest payments amounted to ten percent of

the budget. That left approximately 17 percent of the federal budget subject to trimming or elimination.<sup>48</sup> Water projects amounted to about one-half percent of the budget<sup>49</sup> but to a little over three percent of the portion of the budget vulnerable to the budgetary ax.

Nevertheless, water project supporters initially were optimistic. Unlike Carter's, Reagan's concerns were mainly economic, not environmental. Indeed, the administration suspected environmentalists and was uncomfortable with them. Watt feared that the states "may be ravaged as a result of the actions of the environmentalists-- the greatest threat to the ecology of the West." The Bible advises us, he said, "to occupy the land until Jesus returns."<sup>50</sup> Presumably, God favored mineral, land, and water resources development.

Watt was committed to water projects. So was William R. Gianelli, who became the Assistant Secretary of the Army, Civil Works, in April, 1981. The third person in that position, Gianelli was the first to hold a civil engineering degree and also the first to have an extensive background in water resources development. He had been Director of the California Department of Water Resources when Reagan was governor and had supervised the completion of the \$1.5 billion first phase of the California State Water Project. He wanted to find a way to initiate construction of much-needed projects, but without breaking the federal budget: "The problem as I saw it was that some additional means had to be found for financing federal water projects. Due to the pressures on the

budget--particularly in the defense area and the social programs --we couldn't expect a large amount of federal money to be allocated on the same basis that it had in the past to finance federal water projects."<sup>51</sup>

While probably every political appointee in the Reagan administration agreed on the need to find new ways to finance federal projects, a great deal of disagreement existed over how to do it, or exactly how much nonfederal interests should pay. Stockman wasted no time in taking on the water projects. He suggested to Congress that beneficiaries of new navigation projects pay in full amount for construction and maintenance. The money would be recovered through user fees on commercial navigation. Gianelli would have preferred some "middle ground" between Stockman's position and the low percent that had historically been the case, but he deferred to Stockman, the more senior official.<sup>52</sup> The administration also wished to defer the construction of "less critical" water resources projects. This would have meant the delay of some 70 of more than 300 projects then being considered in Congress, saving \$1.6 billion over the following five years.<sup>53</sup> Meanwhile, there was much talk in Congress and within the executive branch of cost sharing on flood control dams, something that had not happened since 1938, despite repeated attempts.<sup>54</sup>

#### User Fees and Cost Recovery

In a somewhat surprising maneuver, OMB assigned the Secretary

of the Army the responsibility to develop a detailed legislative proposal on user fees. In the Carter administration, the user-fee champion had been the Secretary of Transportation. But Reagan's choice to head the Department of Transportation, Drew Lewis, disagreed with Stockman from the outset on some major policy issues. Possibly, this had something to do with transferring the user-fee issue to the Secretary of Army's office.<sup>55</sup> For his part, Gianelli welcomed the opportunity to be the administration's spokesperson on the issue but was frustrated by OMB's initial inflexibility.<sup>56</sup>

In March 1981, Acting Assistant Secretary of the Army, Civil Works, Lee Rogers transmitted to Congress the OMB-approved legislative proposals. The administration sought to recover fully the capital, operation, and maintenance costs of most inland waterways of 14 feet or less in authorized depth through the imposition of user fees and to shift the full cost of operating and maintaining deep draft channels-- those over 14 feet deep--onto the backs of local authorities. These local entities then would be allowed to collect fees from vessels to meet their financial obligation.<sup>57</sup> The proposal was broken into two bills, S. 809 (H.R. 2959), dealing with deep-draft ports, and S. 810 (H.R. 2962), covering shallow-draft inland navigation. The reaction was immediate and predictable. Few lawmakers thought 100 percent cost recovery either feasible or necessary. Even Republican Senator Domenici, the original congressional champion of waterway user fees, demurred from the administration position. On 8 April he

introduced his own legislation in the form of amendments to the two administration bills. His proposal called for recovering 75 percent of O&M expenses and 50 percent of new construction costs for inland navigation channels. Whenever local interests wished to deepen a harbor beyond 40 feet in depth, Domenici advocated automatic congressional authorization, so long as the local interests agreed to the same cost-sharing formula the senator proposed for inland navigation channels.<sup>58</sup>

Because of the energy crisis and the need for facilities to handle super-tankers and dry-bulk carriers, the future of deep-draft harbors drew national attention in the early 1980s. No Atlantic or Gulf port was able to handle a fully loaded ship with a draft in excess of 45 feet. Yet, the shipping industry predicted that by 1990 half of the world's ocean-going cargo would be carried by vessels greater than 100,000 dead-weight tons. J. Ronald Brinson, Executive Vice President of the American Association of Port Authorities (AAPA), warned Congress that the inability of the United States to handle ships of this size could severely handicap U.S. ability to compete in world coal markets.<sup>59</sup> The AAPA's major concern was to expedite dredging, and the organization suggested that the Corps be given blanket authorization to undertake maintenance dredging at any American port. The AAPA declared that the administration's proposals for cost recovery for deep-draft channel maintenance and development were an "abrogation of the traditional federal role," but it suggested that, in the event such a system were established, the fees should remain with local

authorities for their use rather than funneled to the federal treasury.<sup>60</sup>

Senators and representatives from states with major ports shared the AAPA's desire that harbors be deepened as quickly as possible. The buzz-word was "fast-tracking." The procedure had many variations, but the goal was always the same: to direct the Corps of Engineers to expedite navigation improvements at certain key ports. The Louisiana House delegation proposed a bill (H.R. 55) to authorize the Corps to dredge maximum depths of 55 feet on an expedited basis for the ports of Norfolk, Mobile, New Orleans, and Baton Rouge. Senators Patrick Moynihan and Jennings Randolph introduced legislation (S. 576) to create an "Interagency Harbor Development Task Force" to project future port requirements. In H.R. 3977, representatives from Virginia sought to shorten the planning process for critical channel improvements. The bill specifically addressed ways to shorten delays caused by environmental concerns. It also mandated that local interests pay no more than 40 percent of the construction costs and 25 percent of future O&M expenditures. Senator John Warner and a number of his colleagues introduced the same bill (S. 1389) into the upper chamber. Texas Senator Lloyd Bentsen proposed that local port authorities finance new construction and then receive a 75 percent federal reimbursement.<sup>61</sup> Variations on these bills abounded in Congress.

The question of paying for channel deepening caused much anguish. The AAPA protested that, while the federal government had



invested some \$4.6 billion in the deep draft navigation system, the nonfederal sector had invested nearly \$7 billion.<sup>62</sup> The organization apparently included in its estimate the nonfederal contribution toward lands, easements, and rights-of-way and also the cost of port, terminal, and berthing facilities. The Congressional Budget Office (CBO) later calculated that the federal government paid some 84 percent of the construction and operational costs of ports and harbors.<sup>63</sup> Historical data as well as present-day economic and political reality dictated the position of the various legislators. Representative Mario Biaggi from New York City, chairman of the Merchant Marine Subcommittee of the Merchant Marine and Fisheries Committee, proposed that federal funding of ongoing harbor maintenance programs be retained and that cost sharing be restricted to new projects requiring depths greater than 45 feet. Nonfederal interests would pay 50 percent of the construction and 75 percent of operation and maintenance. This formula attracted a number of port authorities since it did not exclude full federal funding for ports opting for the traditional --and much slower--planning and construction process.<sup>64</sup> Biaggi's position was important since his subcommittee considered any port legislation referred to the Merchant Marine and Fisheries Committee.

In what many thought a case of strange bedfellows indeed, conservation organizations such as the Sierra Club, the Environmental Defense Fund, and the Environmental Policy Center joined the administration in calling for full cost recovery of

operation, maintenance, and new construction of harbor channels.<sup>65</sup> The more conservative National Wildlife Federation focused its concern on the wishes of some congressmen to delegate blanket authority to the Corps to deepen channels quickly. The federation generally was suspicious of fast-tracking and encouraged Congress to look at each project on a case-by-case basis and to develop a rational approach for port development that did not sacrifice analysis of environmental impacts for expedited dredging and deepening of navigation channels.<sup>66</sup> In the next few years, the administration was to court environmental support with generally successful results.

Cost sharing was an emotional issue, especially since it reversed the historical position of the federal government that favored the full federal funding of most harbor projects.<sup>67</sup> Equally controversial was the idea of cost recovery--that the federal government and local interests should recover their share of the costs of completed work through the imposition of fees or tolls. The 1978 "bingo bill" had already established a precedent for cost recovery in the form of user fees, but that law applied only to inland waterways.

Levying tolls at the nation's major ports had international as well as domestic ramifications, and a great many more interests were involved than in inland navigation. For these reasons, no waterway issue proved more difficult to resolve. Even for those who agreed that deep-draft user fees were necessary, the form of the fee remained the subject of intense debate. Essentially, three

methods were proposed: port specific fees, ad valorem fees, and tonnage fees. At first, the administration favored port-specific fees, while lower cost ports supported ad valorem assessments, and high-cost ports desired tonnage fees.<sup>68</sup> Oregon Senator Mark Hatfield, the powerful head of the Senate Appropriations Committee, got involved in the debate early in an effort to protect Columbia River deep-draft ports.<sup>69</sup> In legislation (S. 1586) he introduced in early August 1981, Hatfield proposed tonnage fees whose values were to be determined by the Secretary of the Treasury based on the specific commodity being assessed. The values would be changed every three years as necessary. This approach had the virtue of being straightforward and easy to calculate. However, there were problems with it. First of all, a closer examination showed that it would handicap American shippers exporting abroad. Of particular concern were coal shippers that used large dry-bulk cargo carriers. Containerized shipping would not be so severely damaged, so the senator's staff developed a two-tiered approach, one tonnage fee for bulk cargo and another for containerized cargo. United States trade representatives pointed out that this would "raise holy hell" with American trading partners that used container ships.<sup>70</sup> That idea was forgotten, but for the moment the senator clung to the tonnage fee approach. With Senators Strom Thurmond of South Carolina and Mack Mattingly of Georgia, he reintroduced the concept in another bill (S. 2217) in February 1982.

However, both tonnage and port-specific fees proved

politically unpopular, so Senator Hatfield's staff began to consider more carefully an ad valorem tax. This approach likewise encountered skepticism, but gradually support increased. It was apparent that an ad valorem approach, with a percentage tax on actual value at time of sale, would be more equitable than either port-specific or tonnage fees. No one could claim an advantage or disadvantage, and the tax would be instantaneously responsive to price changes. In short, the argument went, the market would determine the actual tax rather than any arbitrary decision. While an appropriate ad valorem rate needed to be decided, consideration of that sensitive issue raised other questions in a political chain reaction of issues and controversies. For instance, the rate to be set obviously depended on the amount of money that was required, and that issue raised other questions: how much would operation and maintenance cost in the next few years, what was the appropriate cost-sharing formula, how much cargo was actually being moved, and should coast-wise traffic be charged? The more the entire concept was examined, the more frustrating and difficult it became.<sup>71</sup>

Meanwhile, the administration continued to push for cost recovery for the operation and maintenance of inland waterways. Secretary Gianelli directed the Corps to develop data and draft revisions to S. 810, the shallow-draft user charge bill. In response to OMB guidance, the Corps developed legislation that reflected prevailing administration views, if not political reality. Distributed at the beginning of July 1981, the revised

Corps version would have applied to nearly all navigable waterways of the United States. Instead of a maximum 10-cents-per-gallon fuel tax by 1985 required by the 1978 legislation, the Corps proposal would have initiated a jump from the then 4-cents-per-gallon tax to 29 cents per gallon by 1 October 1981, increasing to 34 cents per gallon by 30 September 1984.<sup>72</sup> If the Administration wanted to agitate waterways interests, it certainly succeeded. Perhaps, the executive branch hoped that planned panic would result in fewer objections to less radical proposals. In any event, in mid-July Secretary Gianelli proposed to Congress legislation that was mild only in comparison with what had been circulated around Washington for the previous two weeks. The new administration legislation applied to most waterways up to 14 feet--waterways on the East and West Coasts were omitted except for the Atlantic Intracoastal Waterway and the Willamette and Columbia-Snake rivers--and would establish a 15-cents-per-gallon fuel tax beginning on 1 October 1981. In addition, as in S. 810, the Army would be authorized to collect additional user charges, such as lockage fees and segment tolls. The funds thereby recovered would equal 100 percent of operation, maintenance, and amortized construction costs.<sup>73</sup> Less draconian than the 1 July revision, this version still caused nightmares among waterway users. OMB personnel pursued the course, however, and discussed changes with various interests and lobbying organizations.

Budget Director Stockman continued to apply pressure. He told Congress that without higher user charges there would be no funds

in the federal budget for "major new construction" of waterway and port improvements.<sup>74</sup> Senate Water Resources Subcommittee Chairman James Abdnor of South Dakota mirrored the view of many of his colleagues when he expressed doubts about the need for user fees. Not surprisingly considering his farmland constituency, he expressed concern over what the increased fees would do to farmers, who would have difficulty passing on increased costs to buyers.<sup>75</sup> Abdnor's committee held hearings in Washington and around the country about both deep-draft and shallow-draft fees, but no major changes in position resulted. Nevertheless, the hearings did convey to the committee the major impact that increased user fees might have on certain regions of the country.<sup>76</sup>

The urgency of deepening deep-draft channels to accommodate modern cargo ships meant that deep-draft legislation was bound to move forward faster than proposals for increasing shallow-draft user charges. In late fall of 1981, the Senate Environment and Public Works Committee approved, 13-3, a port-development bill sponsored by Senators Abdnor and Moynihan. The bill's major provisions would require nonfederal interests to fund the full cost of new port improvements, 50 percent of the operation and maintenance costs for new and deeper harbor channels, and 25 percent of the O&M costs of existing channels. Nonfederal interests also would be empowered to levy user charges to cover most or all of their costs: a cap prevented a local tonnage charge for O&M reimbursement from exceeding by more than 50 percent the national average for such a charge.<sup>77</sup> Stockman urged the

committee to raise the O&M recovery level to "provide the receipts necessary for a healthy dredging program," but was unsuccessful.<sup>78</sup>

He found an ally in Senator Domenici, who suggested that nonfederal interests could afford to pay for 75 percent of O&M activities for both ports and inland waterways. The senator, who chaired the Senate Budget Committee, had already submitted legislation to phase in user fees over five years that would ultimately lead to a federal subsidy of 25 percent for O&M and 50 percent for capital expenditures throughout the nation's waterway system. He warned that he would push for higher levels in floor debate the following year.<sup>79</sup>

When the second session of the 97th Congress convened in January 1982, the user-fee issue was high on the legislative agenda, but few were willing to predict the outcome. Both the House and Senate were waiting for an overdue user-fee report from the Secretary of Transportation. Called the "205 study" because it was authorized in section 205 of the Inland Waterways Revenue Act of 1978 (Title II of the "bingo bill"), the study was to present to Congress all the relevant facts on past, present, and probable future federal assistance to waterways and to analyze the impact of increased user fees on economic development. Secretary of Transportation Drew Lewis finally forwarded the study to Congress on 1 February, and Senator Abdnor held hearings on it ten days later.<sup>80</sup>

At the hearings, Lewis had to defend both the report and the Administration's latest cost-recovery proposal. Waterway users

attacked the report for underestimating navigation costs and over-estimating future waterborne commerce growth. Another point that upset them was that the report did not envision any requirement for major construction in the next two decades.<sup>81</sup> However, as troubling as the report's conclusions were, far more unsettling was the administration's new position on cost recovery.

To cover operation and maintenance expenses, the administration proposed in place of a fuel tax a millage tax per ton-mile. In addition, on those waterway segments where new construction occurred, some sort of segment-specific charge on a per-ton basis would be assessed. Only construction funds expended during fiscal year 1983 or later would be subject to recovery. "To be specific," Secretary Lewis told the senators, "the effect of this definition would be that we would recover about 85 percent of the costs on the new dam and the first chamber at Lock and Dam 26 and about 30 percent of the costs of construction on the Tennessee-Tombigbee."<sup>82</sup> The section 205 study had concluded that 100 percent cost recovery for O&M activities would require an immediate increase of the fuel tax to about 34 to 38 cents per gallon (the fuel tax in 1982 was 6 cents per gallon). The administration wished to recover approximately the same amount through a ton-mileage tax. Secretary Lewis explained that one advantage of this system would be that it would decrease the administrative burden, since it would simply require modifying a reporting system already in place that required carriers to report tonnage and commodity data to the Corps of Engineers.<sup>83</sup>



Following Lewis's testimony, Alice Rivlin, Director of the Congressional Budget Office, testified. The CBO agreed that "higher waterway user charges would help promote the more efficient Federal investment policy for waterways, as well as more efficient use of the nation's transportation resources."<sup>84</sup> Rivlin pointed out that in terms of volume of traffic, domestic inland water transportation received the highest federal subsidy. In 1980, federal waterway subsidies amounted to 3.9 mills per ton-mile, whereas railroads received 2.2 mills per ton-mile and trucks only about 1.8 mills per ton-mile.<sup>85</sup> Generally, the CBO supported both the methodology and conclusions of the Department of Transportation's 205 study.<sup>86</sup>

The following week, Secretary Gianelli testified before the Water Resources Subcommittee of the House Appropriations Committee. He had a difficult time. The administration budget for fiscal year 1983 called for a cut of \$150 million in appropriations for the operation and maintenance of dredging projects. Without that money, the future of scores of waterways and ports was threatened. Many would have to close down. Stockman informed Congress that the money would be restored when Congress passed user-fee legislation that met the administration's goals. Tom Bevill of Alabama, the subcommittee's chairman; and Jamie Whitten of Mississippi, chairman of the full Appropriations Committee, lambasted Gianelli on the issue. Other congressmen did likewise.<sup>87</sup> Lindy Boggs of Louisiana accused the administration of ignoring congressional orders to complete two Louisiana projects, the Red River Waterway

and the Tensas Wildlife Refuge. Gianelli replied that "we thought we had the flexibility to do what we did." That drew another rebuke from Bevill who advised Gianelli to "double-check on your lawyers."<sup>88</sup>

The question of user fees obviously was not going to be resolved easily. Executive branch agencies had submitted three different drafts just for shallow draft O&M recovery since February 1981, and many more versions had been discussed within the executive branch. Representatives and senators had submitted their own versions. Moreover, a large number of House and Senate committees were showing interest in the subject. New Jersey Representative Robert Roe's Subcommittee on Water Resources had not yet held hearings, and other subcommittee chairmen wanted to consider specific impacts. For instance, Congressman Thomas Luken, chairman of the Small Business Subcommittee; and Congressman James Oberstar, chairman of the Economic Development Subcommittee, both expressed interest in the user-fee proposals.<sup>89</sup> However, interest is one thing, action another. An election was to be held in the autumn of 1982, and most congressmen were apparently more than happy to delay floor consideration for another year. Meanwhile, there always was hope that the Administration would retreat from its insistence on 100 percent nonfederal funding.

#### Cost-Sharing New Projects

While user fees attracted much attention, especially from

waterway interests, of equal or greater concern was the continuing impasse on authorizing new construction of water projects. No omnibus water resources legislation had been passed since 1976, and the last major act was in 1970. No one championed the authorization of massive projects. However, a number of much smaller navigation and flood control projects were economically justified and enjoyed substantial local support. Major General E.R. Heiberg III, Director of Civil Works in the Office of the Chief of Engineers, identified 12 projects for which the Corps sought cost-sharing arrangements with states and local communities.

Of these, the project to deepen Baltimore Harbor seemed closest to resolution on the cost-sharing issue. In late May 1982, President Reagan asked Congress to approve nine of these projects, the first time in three years that new project authorizations had been requested. However, the nonfederal burden was considerable. Local interests would pay 79 percent of the bill for these projects, whereas under earlier formulas they would have contributed only about 13 percent. The total bill for the projects would be \$982 million.<sup>90</sup>

In fact, the appropriate nonfederal share of water project expenses was the key water policy issue facing the administration. The federal government had fully funded the construction of most Corps of Engineers flood control projects since 1938 and historically had paid the full cost of rivers and harbors navigation projects, so any cost-sharing proposal was bound to elicit protests. Certainly, switching the burden entirely onto the

shoulders of states and communities was both economically and politically unrealistic. What then should be the appropriate formula? Neither economics nor politics yielded an easy answer. Under such conditions, any formula, no matter how arbitrary, had the virtue of at least providing a starting point for discussion. Fortunately, Secretary Gianelli knew someone willing and able to prescribe new cost-sharing medicine for Congress, a reluctant patient indeed.

Robert Eiland had been in the water business since 1939 and had worked for Gianelli in the California State Water Office. A professional engineer, Eiland had the ability to succinctly evaluate water project plans in terms of both sound engineering criteria and political realities. With Gianelli, he had diligently worked to obtain financing for the California State Water Project. When Gianelli came to Washington, he asked Eiland to help him out, and Eiland came as the Secretary's special assistant. One of the first assignments Eiland had was to prepare new cost-sharing proposals.<sup>91</sup>

There was no obvious place for Eiland to start. He asked Steve Dola, one of Gianelli's deputies, for advice, and Dola recommended that he look at the section 80 study done by the Water Resources Council. That study suggested that local interests historically had contributed about 19 percent (including lands, easements, and rights-of-way) to the cost of federal flood control projects. Eiland recognized that the administration would never accept such a low figure, so he doubled it to 38 percent and

finally rounded it off to 35 percent. "You know," he later said, "it wasn't completely picked out of the air, but it only took one afternoon."<sup>92</sup> Other cost-sharing proposals followed. The final breakdown looked like this:<sup>93</sup>

Percentage of Nonfederal Financing

	Proposed	Existing
Hydroelectric power	100	100
Municipal and industrial water	100	100
Flood control	35	19
Separable recreation	50	50
Commercial navigation (deep draft)	75	5

The proposals were small steps toward compromise. Rather than 100 percent nonfederal financing of deep-draft navigation, only 75 percent would be required. Rather than nonfederal flood control contributions of 50 percent or more, the new proposals called for "only" 35 percent (or the cost of lands, easements, and rights-of-way, whichever was greater). On the other hand, states and communities were expected to contribute their share "up front," before construction began. This approach, euphemistically called "innovative financing" by Gianelli, was an obvious attempt to reduce "pork" and relieve strains on the federal budget.

Gianelli candidly' discussed cost-sharing changes with potential sponsors, frankly advising them to "consider all options open to them, including that of not participating."<sup>94</sup> However,

at the same time he worked to change the lengthy Corps planning process to make cooperation with the federal government more attractive. As a former head of a state water office, he had developed a high opinion of the Corps' technical expertise but occasionally had been frustrated by a process that seemed cumbersome and unresponsive. His experience as Assistant Secretary reinforced his concerns, and he was determined to do something about it.<sup>95</sup>

Actually, the Corps had independently reached some of the same conclusions as had Gianelli. Both Major General Heiberg and Lieutenant General Joseph K. Bratton, the Chief of Engineers, wanted to reduce the time necessary to plan a project. In February 1981, before Giannelli had become Assistant Secretary, they briefed Congress on a new program to do just that. Called the Continuation of Planning and Engineering Studies or CP&E, the program allowed the Corps to continue to plan for construction while the District's preauthorization report underwent Washington level review and congressional examination. Formerly, the Corps did little meaningful work on a project between the time a District submitted its preauthorization study and the date when Congress actually authorized the project, a period usually stretching into years. The new approach could reduce significantly the time between project authorization and the beginning of construction since many of the engineering and planning studies would be done prior to congressional authorization. Of course, should the District's recommendation be reversed during the administrative review

process, work on the project studies would cease. Initially, the Corps placed 16 projects in the CPCE category that were economically justified, free of substantive environmental controversies, and of high priority.<sup>96</sup>

Major General Heiberg also worked to upgrade the stature and visibility of Corps civil works planners. Working with his Chief of Planning, Lewis Blakey, he encouraged Districts to establish separate planning divisions, rather than allowing planning to be subordinated to the Engineering Divisions. He wanted the planning chief to report directly to the District Engineer and to have the same grade as the engineering chief. At the same time, Heiberg and Blakey attempted to decentralize the planning process, so that more decisions would be made at the lowest level of authority.<sup>97</sup>

While the CPCE program dovetailed nicely with Gianelli's philosophy, the new Assistant Secretary was less supportive of Heiberg's decentralized planning approach. He was not fundamentally opposed to decentralization, especially if it resulted in the early elimination of uneconomical projects, but he questioned the Chief of Engineers' ability to ensure that policy established at the Washington level was uniformly applied in regional Corps offices around the country. Moreover, he wished to establish a procedure that allowed him to review quickly controversial issues that arose at the operational level, i.e., the Districts. As the Secretary put it, "I have felt all along that the Chief's office and even the Divisions have delegated perhaps too much authority to the Districts without an opportunity to

review."<sup>98</sup> For both budgetary and political reasons, the secretary saw the need for a Washington-level review of sensitive or borderline projects.<sup>99</sup>

Divergent experiences dictated the differences in Heiberg's and Gianelli's approaches. As a former District Engineer in New Orleans, Heiberg had decided that planning had been hamstrung by unnecessary oversight from higher authorities. On the other hand, as a former state water planner, Gianelli had been irked at the seeming inability of the Corps to develop consistent, standardized approaches to major policy questions. Beyond dissimilar experiences were differences in priorities. Heiberg tended to see planning from the engineer's point of view. Gianelli was naturally more sensitive to administration philosophy. While technical engineering decisions could be delegated to lower levels, complex and subtle political questions required administration oversight. Yet, these differences can be exaggerated. Both men wished to make planning more efficient and economical and both wanted to develop a system that led to the earliest possible beginning of project construction.

Echoing the thought of Theodore Burton three-quarters of a century earlier, Gianelli believed cost sharing would also help weed out borderline projects. At his direction, the Corps established a two-phased planning process. The federal government paid for the first, or reconnaissance, phase. If this phase showed that further study was appropriate, the nonfederal interests were required to share the costs, on a 50-50 basis, for the second phase



(a feasibility study). The Secretary thought that the cost-sharing requirement would prove both the political commitment and financial viability of the nonfederal partner.<sup>100</sup> Of course, the additional cost-sharing requirement for actual construction also would have a sobering effect on nonfederal interests. What annoyed Gianelli was the amount of time the Corps spent on plans for projects that had little or no chances of actual realization. He had the Corps prepare a report that showed that from 1973 to 1981, 258 of 462 studies resulted in unfavorable reports. Of the 204 remaining favorable reports, only 38 actually were authorized, and of those authorized only 13 were constructed." Gianelli would not tolerate such a waste of money. As Blakey said, "Bill Gianelli would say that the planning process should focus on projects." Spending money on studies for projects in which it was obvious there would be no legitimate federal interest "was a waste of federal funds."<sup>102</sup>

However, Gianelli wanted to free sound projects from unnecessary red tape. He desired to accelerate project construction by making substantial changes in the old Principles and Standards (P&S), published in 1973. He also thought the Water Resources Council was a "major bottleneck" in the processing of reports and should be eliminated.<sup>103</sup> In both areas, his objectives were realized. With Secretary of the Interior Watt's strong encouragement, President Reagan stopped all funding for the Water Resources Council in 1982, in effect dismantling the council.<sup>104</sup> Subsequently, conservative Republican congressmen

such as Wyoming legislators Senator Malcolm Wallop and Representative Richard Cheney worked to quash congressional efforts to reconstitute the council, agreeing with the administration position that such an organization was unnecessary and inefficient. Questions that had earlier been debated within the Water Resources Council (and the Council on Environmental Quality) were considered in the newly formed ad hoc Cabinet-level Council on Natural Resources and the Environment. President Reagan also formally approved the administration's Principles and Guidelines (P&G) in March 1983. These guidelines differed in several significant ways from the P&S. Gianelli believed the most important departure was that the P&G eliminated the requirement for the preparation of the most environmentally attractive plan for every project; often the most environmentally appealing was neither economically nor politically feasible. Unlike the P&S, which stressed the twin requirements of environmental quality and national economic development, the P&G clearly established the latter as the primary objective. Gianelli foresaw that reducing paperwork would move project plans along faster.<sup>105</sup>

It is worth noting that the Principles and Guidelines hardly ignored environmental matters. According to Secretary Watt, the P&G provided for more accurate benefit-cost analyses, with equal consideration of economic, social, and environmental factors. By replacing the Principles and Standards, Watt maintained, the Reagan administration eliminated "cumbersome and unnecessary regulations [which] have hampered our ability to identify and recommend

economically and environmentally sound water projects that are vital to the economic growth of our nation."<sup>106</sup> Essentially, the recommended plan was to be the one that offered the greatest net economic benefit consistent with protecting the environment, unless the Secretary of a department or the head of an independent agency granted an exception based on overriding local, state, national, or international concerns.<sup>107</sup>

Although these planning initiatives were important, the heart of the administration's water resources program remained cost sharing. Few were sanguine about success on this elusive issue. By mid-1983, according to one report, cost sharing had "become as popular on Capitol Hill and in the ranks of the Reagan Administration as an outbreak of the mumps."<sup>108</sup> Clearly, any success depended on finding a compromise with Congress. While the Republican-controlled Senate provided few insurmountable problems, the Democratic-controlled House was a gigantic obstacle. Any chances of compromise depended on the House Subcommittee on Water Resources of the Public Works and Transportation Committee. Both the full committee and the subcommittee were unusually homogeneous. Subcommittee minority leader Arlan Stangeland of Minnesota maintained that it was "almost impossible to discern the difference in the Public Works Committee between what is a Republican and what is a Democrat. The Public Works Committee is probably the most bipartisan committee of Congress."<sup>109</sup> Congressman Roe, who chaired the subcommittee, described its work as "totally, absolutely unequivocally" bipartisan." All evidence

substantiates Roe's characterization: partisanship was not an issue. The subcommittee and its staff worked long hours and in general harmony to draft the complex legislation. Administration officials appearing before the subcommittee found the congressmen generally united in their quest for a meaningful bill.

There were, however, differences in priorities and outlooks. In particular, Congressman Edgar became the environmental community's voice on the subcommittee. As such, according to Roe, Edgar performed a valuable service. He acted as the "bellwether" on environmental issues and "by taking the adversary position that he did, helped us to formulate a better balance environmentally, in fact, a much superior balance environmentally."<sup>111</sup> Probably less congenial for Roe was Edgar's position on procedural matters. Edgar wanted to divide legislation into titles according to specific issues and to consider future omnibus legislation only every four years. The idea was to allow congressmen more time to examine each issue, whether it be project authorizations, funding, or policy reforms. Omnibus legislation, according to Edgar, "was just too much on the table to deal with. [Congressmen] would rather just take the word of the chairman than get into the nitty-gritty details."<sup>112</sup>

Roe's idea was quite different. He wanted to develop compromise legislation on cost sharing, but to do that he believed it necessary to draft a comprehensive bill that would cover everything from navigation user fees to recreation fees, from flood control cost sharing to coastal engineering cost sharing. The

philosophy was simple. In a time of expanding federal deficits and ever-increasing demands on the federal budget, no one's projects were untouchable. Ports, conservation and flood control districts, city and state governments, waterway interests and environmentalists all had to work together. Roe was more interested in achieving compromise on projects and programs than in introducing fundamental reforms. Along with others, he worked to develop a national coalition to promote omnibus water resources legislation. In Congress, this took the form of a National Water Alliance, a bipartisan group that eventually included business, industry, and environmental organizations. Senator Dennis DeConcini of Arizona took the lead in establishing the organization. The National Water Alliance was not a particularly effective lobbying organization; its purpose was more to stimulate discussion and develop new approaches. Yet, its message was clear: if you want projects, come to the conference table and be prepared to discuss cost sharing. Otherwise, the water projects drought will continue.<sup>113</sup>

By the beginning of 1983, major developments had occurred in water resources legislation, although most associated with the process felt more frustration than satisfaction because of the many steps still ahead. Perhaps the most important development was the administration's recognition that executive branch orders and reorganization schemes were not the answer to the problems besetting federal water developers. Any lasting solution required congressional cooperation. Congress itself took pains to remind

executive departments of this. In reports accompanying the fiscal **year 1982** supplemental Appropriations Act, both the House and Senate Appropriations Committees directed that "no cost sharing or innovative financing proposal be implemented until the Congress fully considers and authorizes such a plan."<sup>114</sup> The bill had been vetoed by President Reagan because it contained projects that did not meet administration guidelines--notably a Yatesville, Kentucky, flood control project and the Tug Fork flood control project on the Kentucky-West Virginia border--but the veto was subsequently overridden.<sup>115</sup>

Omnibus legislation was the key to success, but, before its various parts could be woven into a whole, specific issues and affected constituencies needed to be identified and addressed. In general, single-issue constituencies increased their strength in order to mobilize opinion on specific funding proposals, while large umbrella organizations, such as the Water Resources Congress, lost power as their members--including inland waterway interests, ports, and flood control districts--concentrated on preserving parochial prerogatives and subsidies. In the face of budget constraints and potentially dramatic changes in water resources planning, this splintering was natural. However, it had the paradoxical effect of forging coalitions and compromises before any new federal water policy could be put in place.

## NOTES

1. Cited in the Conservation Foundation, America's Water: Current Trends and Emerging Issues (Washington, DC: The Conservation Foundation, 1984), p. 78.
2. Marc Reisner, Cadillac Desert: The American West and Its Disappearing Water (New York: Viking, 1986), pp. 318-319. See also, James Nathan Miller, "Bitter Battle of the Waterways," The Reader's Digest 111 (September 1977): 83-87.
3. Quoted in Miller, "Bitter Battle of the Waterways," p. 83.
4. Quoted in Walter Pincus, "When a Campaign Vow Crashes Into a Pork Barrel," Washington Post, 1 April 1977.
5. Quoted in Tim Palmer, Endangered Rivers and the Conservation Movement (Berkeley: University of California Press, 1986), p. 199.
6. Washington Post, 2 January 1977; *ibid.*, Pincus, "When a Campaign Vow Crashes Into a Pork Barrel."
7. Palmer, Endangered Rivers, p. 199.
8. White House Press Secretary, "Statement on Water Projects," 18 April 1977, file III (Civil Works Reorganization Files), folder 265, OH, HQ USACE.
9. Quoted in Reisner, Cadillac Desert, pp. 329-330.
10. *Ibid.*: New York Journal of Commerce, 16 June 1977.
11. Christian Science Monitor, 27 October 1977; Reisner, Cadillac Desert, pp. 330-332; Jimmy Carter, Keeping Faith: Memoirs of a President (New York: Bantam, 1983), p. 79.
12. Carter, Keeping Faith, p. 79.
13. T.R. Reid, Congressional Odyssey: The Saga of a Senate Bill (New York: W.H. Freeman and Co., 1980), p. 12.
14. *Ibid.*, p. 2. For a general legislative history of the user-charge issue, see U.S., Senate, Committee on Environment and Public Works, A Legislative Background of the Waterway User Charges Legislation During the 95th Congress, 95th Cong., 2d sess., 1978.
15. For the maneuvering and deals that accompanied the bill's progress toward the Senate floor, see *ibid.*, pp. 16-68.

16. Wall Street Journal, 23 June 1977.
17. Reid, Congressional Odyssey, p. 79.
18. Ibid., pp. 79-83.
19. Ibid., pp. 91-92.
20. Ibid., pp. 96-97.
21. Ibid., pp. 97-100.
22. Ibid., Pp. 105-106.
23. Ibid., Pp. 121-128.
24. Quoted in Palmer, Endansered Rivers, p. 204.
25. Ibid., pp. 204-205; Reisner, Cadillac Desert, p. 333.
26. Quoted in Palmer, Endanaered Rivers, p. 205.
27. This story is pieced together from interviews with Robert Edgar, 29 February 1988, and Lester Edelman, 7 January 1988. In 1978, Edelman was the Legal Counsel of the House Public Works and Transportation Committee.
28. Palmer, Endansered Rivers, p. 205.
29. Interview with John Doyle, 15 January 1988.
30. White House Press Secretary, 6 June 1978 (Message to Congress on Water Policy Initiatives), reprinted as appendix A in U.S. Department of the Interior, Final Report on Phase I of Water Policy Implementation (Washington, DC: 6 June 1980), p. A-1.
31. Carter to the chairman of the Water Resources Council, 12 July 1978, as reprinted in ibid., p. B-14; Palmer, Endangered Rivers, p. 203.
32. White House Press Secretary, "Water Policy Message: Detailed Background," 6 June 1978, as reprinted in Department of the Interior, Final Report, p. C-10.
33. Daniel McCool, Command of the Waters: Iron Triangles, Federal Water Development, and Indian Water (Berkeley: University of California Press, 1987), p. 197.
34. Quoted in Palmer, Endanaered Rivers, p. 204.



35. American Society of Civil Engineers, Water Policy Initiatives: Positions of the National Water Policy Committee of the American Society of Civil Engineers on the President's June 1978 Statements (New York: American Society of Civil Engineers, 1979), pp. 1-22.
36. National Governors' Association Position on National Water Policy (February 1978), in binder on "Intergovernmental Water Policy Task Force," 12 December 1978 Meeting at the White House, Tab G, OH, HQ USACE.
37. Macon, Georgia Telegraph, 22 June 1977.
38. Patrick Moynihan, "Foreword," Who Runs the Rivers: Dams and Decisions in the New West, edited by Barbara T. Andrews and Marie Sansone (Stanford: Stanford Environmental Law Society, 1983), pp. 6-7.
39. Interview with Lieutenant General Ernest Graves, USA (Retired), by Frank N. Schubert (February-April 1985), pp. 54-56. Transcript in OH, HQ USACE.
40. Quoted in Reisner, Cadillac Desert, p. 342.
41. For correspondence between the Secretary of the Army and the Director of the Office of Management and Budget regarding the organization proposals, see Box III-26A, folder 3, OH, HQ USACE.
42. For more on this, see Randall B. Ripley and Grace A. Franklin, Conaress, the Bureaucracy, and Public Policy (Homewood, Illinois: The Dorsey Press, 1984), pp. 113-117.
43. Palmer, Endanaered Rivers, pp. 205-206; Jeanne Nienaber Clarke and Daniel McCool, Staking Out The Terrain: Power Differentials Among Natural Resource Manasement Agencies (Albany: State University of New York Press, 1985), p. 26.
44. George Brown Tindall, America: A Narrative History, 2d edition, 2 vols. (New York: W.W. Norton, 1988), II, p. 1447.
45. Garry Wills, Reagan's America (New York: Penguin Books, 1987), p. 429.
46. Robert V. Bartlett, "The Budgetary Process and Environmental Policy," in Norman J. Vig and Michael E. Kraft, eds., Environmental Policy in the 1980s: Reagan's New Asenda (Washington, DC: CQ Press, 1984), p. 121.
47. Ibid., p. 123.
48. Tindall, America, II, pp. 1449-50.

49. Testimony of Major General Elvin R. Heiberg III, Director of Civil Works, in Proposed Water Resources Development Projects of the U.S. Army Corps of Engineers, Hearings, p. 60.
50. Both quotes as cited in Palmer, Endangered Rivers, pp. 206-207.
51. Martin Reuss (interviewer), Water Resources People and Issues: An Interview with William R. Gianelli (Fort Belvoir, Virginia: Office of the Chief of Engineers, 1985), p. 1.
52. Brad Knickerbocker, "Water Projects Under Reagan: Down, Then Up," Christian Science Monitor, 3 March 1981.
53. Reisner, Cadillac Desert, p. 342.
54. Reuss, Gianelli, p. 21.
55. Harry N. Cook, President, National Waterways Conference, Inc., to Conference Members and Friends, "Special Memorandum," 27 March 1981, National Waterways Conference (NWC) file, OH, HQ USACE. Unfortunately, David Stockman declined to be interviewed for this history.
56. Reuss, Gianelli, p. 11.
57. Gianelli to the Honorable George Bush, President of the Senate, 15 July 1981 (copy), NWC file, OH, HQ USACE; Gianelli to Stockman, 2 November 1981 (copy), Gianelli file, OH, HQ USACE; U.S., Council on Environmental Quality, Environmental Quality 1981: 12th Annual Report (Washington, DC: Council on Environmental Quality, n.d.), p. 156.
58. Conaressional Record, 97th Cong., 1st sess., vol. 127, no. 58, 8 April 1981, reprint in NWC file, OH, HQ USACE; Reisner, Cadillac Desert, p. 342; Judy Allen, "Water Fees Sought," Council Bluffs, Iowa Nonpareil, 15 July 1981; S. 809, 97th Cong., 1st Sess; and amendment no. 31 to S. 809, 8 April 1981.
59. U.S. Congress, House, Committee on Public Works and Transportation, Port Develonment, Hearings, 97th Cong., 1st sess., 16 June 1981, p. 472.
60. Ibid., pp. 477-478; and testimony of Don Welch, President of the AAPA, p. 482. See also Henry S. Marcus, James D. Short, John C. Kuypers, and Paul O. Roberts, Federal Port Policy in the United States (Cambridge: MIT Press, 1976).
61. National Waterways Conference, Inc., Newsletter, 18 May 1981, p. 3 (cited hereafter as the NWC Newsletter).
62. Testimony of Don Welch in Port Develonment, Hearings, 16 June 1981, p. 482.

63. Congressional Budget Office, Efficient Investments, p. 32.
64. Testimony of Ron Brinson in Port Development, Hearings, 16 June 1981, p. 477; H.R. 4627, 97th Cong., 1st sess.
65. Port Development, Hearings, 14 July 1981, p. 1048.
66. Ibid., 15 June 1981 pp. 1104-05.
67. Transcript, interview with Congressman Robert Roe by Martin Reuss, 9 March 1988, p. 13.
68. Transcript, interview with Thomas Skirbunt, staff member, Senate Environment and Public Works Committee, 11 January 1988, p. 27.
69. Transcript, interview with Jeffrey Arnold, formerly with Senator Mark Hatfield's staff, 17 February 1988, p. 5.
70. Ibid., p. 9.
71. Ibid., pp. 10-14.
72. "Text of Legislation Drafted by Corps of Engineers at OMB Direction to Recover O&M Costs Through a Fuel Tax Effective July 1, 1981, and Future Construction Costs Through Various User Charges," NWC files, OH, HQ USACE.
73. Gianelli to the Honorable George Bush, 15 July 1981; National Waterways Conference, Inc., Washington Watch, p. 1 (both in NWC files, OH, HQ USACE). The revised legislation was introduced as H.R. 4846 on 27 October 1981.
74. Cited in NWC Newsletter, 28 July 1981, p. 1.
75. Ibid., pp. 2-3.
76. Washington Watch, 21 August 1981, pp. 1-2.
77. NWC Newsletter, 11 December 1981, pp. 1-2.
78. Cited in ibid., p. 2.
79. Ibid., p. 6; Allen, "Waterways Fees Sought," 15 July 1981.
80. The study's official title was Inland Waterway User Taxes and Charges: Report of the Secretary of Transportation to the United States Congress Pursuant to Section 205, Public Law 95-502, the Inland Waterway Revenue Act of 1978.
81. Washington Watch, 18 January 1982, pp. 2-3.

82. Cited in Washinaton Watch, 12 February 1982, p. 2.
83. U.S. Congress, Senate, Environment and Public Works Committee, Waterway User Fees, Hearings, 97th Cong., 2d sess., 10 February 1982, p. 13; Washington Watch, 12 February 1982, pp. 2-3.
84. Waterway User Fees, Hearings, 10 February 1982, p. 34.
85. Ibid., p. 35.
86. Rivlin to Senator Abdnor, 5 April 1982, reprinted in ibid., p. 87.
87. Washinaton Watch, 26 March 1982, p. 10.
88. George Hager, "Administration Skunked on Waterway User Fees," New Orleans Times Picayune, 21 February 1982.
89. Washinaton Watch, 12 February 1982, p. 12.
90. Memorandum for the Record, "Meeting with the State of Maryland on the Baltimore Harbor 50' Project to Discuss Cost Sharing," by Robert Eiland, 8 January 1982, Gianelli files, OH, HQ USACE; Nelson Antosh, "U. S. Water Projects Will Be Scaled Back," Houston, Texas Chronicle, 2 February 1982; "Notes of Meeting--1983 New Starts, March 1, 1982," by Robert Eiland, 2 March 1982, Gianelli files, OH, HQ USACE; "Cost-Share Pacts Unleash Nine Corps Water Projects," Enaineerina News Record, 3 June 1982.
91. Transcript, interview with Robert Eiland by Martin Reuss, 21 January 1988, pp. 1-10.
92. Ibid., p. 23.
93. U.S. Congress, House Committee on Public Works and Transportation, Proposed Water Resources Development Projects of the U.S. Army Corps of Engineers, Hearings, 97th Cong., 2d sess., 8 June 1982, p. 29.
94. "Cost-Share Pacts Unleash Nine Corps Water Projects," Enaineerina News Record, 3 June 1982.
95. Reuss, Gianelli, p. 3. The review process that aggravated Gianelli involved not only review within the Corps but public, OMB, congressional, and Department of Army reviews.
96. U.S. Congress, Senate, Committee on Appropriations, Enerav and Water Development Appropriations for Fiscal Year 1982, 97th Cong., 1st sess., 3 February 1981, pp. 10, 21-22, 50, 184-185. By direction of the Acting Assistant Secretary of the Army, Civil Works, the funding for CPCE studies was taken out of the "General Investigation" category after 30 September 1985 and included in

total project costs, similar to Advanced Engineering and Design (AE&D) costs. See Robert K. Dawson, Acting Assistant Secretary of the Army (Civil Works) to the Director of Civil Works, subj: cost Sharing for Continuation of Planning and Engineering (CPCE), 13 August 1985 (copy), WRDA-86 files, OH, HQ USACE.

97. Transcript, interview with Lieutenant General E. R. Heiberg III, Chief of Engineers, 7 January 1988, pp. 12-15.

98. Reuss, Gianelli, p. 72.

99. Ibid.

100. Proposed Water Resources Development Projects, Hearings, 8 June 1982, pp. 13-14.

101. Ibid., pp. 19-20.

102. Transcript, interview with Lewis Blakey, 12 January 1988, p. 20.

103. Reuss, Gianelli, p. 55.

104. Palmer, Endangered Rivers, pp. 206-209.

105. Proposed Water Resources Development Projects, Hearings, 8 June 1982, p. 27.

106. Quoted in Theodore M. Schad, "Present Policies and Practices," Social and Environmental Objectives in Water Resources Planning and Management, edited by Warren Viessman, Jr. and Kyle E. Schilling (New York: American Society of Civil Engineers, 1986), p. 16.

107. Ibid., p. 17.

108. National Journal, 23 July 1983, p. 1559, as cited in McCool, Command of the Waters, p. 202.

109. Transcript, interview with Congressman Arlan Stangeland, 18 February 1988, p. 9.

110. Transcript, Roe interview, p. 17.

111. Ibid., p. 18.

112. Transcript, Edgar interview, pp. 27-28.

113. Transcript, Roe interview, pp. 6-7; Washington Watch, 7 May 1982, pp. 4-5, and 30 July 1982, p. 5; James J. Magner, "The National Water Alliance: A United Framework for Regional Concerns," in Freshwater Foundation, Water Management in Transition

1985: A Special Report by the Freshwater Society (Navarre, Minnesota: The Freshwater Foundation/Society, 1985), pp. 58-60.

114. Cited in Washinuton Watch, 8 October 1982, p. 3.

115. Ibid.